

Message Text

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C O N F I D E N T I A L MOSCOW 11629

NODIS

EYES ONLY SECRETARY

FOR SECRETARY FROM AMBASSADOR

1. WHILE I AM AWARE THAT DECISIONS REGARDING FURTHER SUBSTANTIAL GRAIN SALES TO THE USSR DURING THIS CROP YEAR WILL BE DETERMINED TO A LARGE DEGREE BY THE SUPPLY SITUATION AND DOMESTIC CONSIDERATIONS, I WOULD URGE THAT THE FOLLOWING THOUGHTS RECEIVE DUE WEIGHT BEFORE A DECISION IS MADE TO APPROVE FURTHER SALES.

2. THE RELATIVELY POOR SOVIET CROP WHICH IS IN PROSPECT PROVIDES US WITH A POSSIBLE OPPORTUNITY TO NEGOTIATE A MORE SATISFACTORY LONG-TERM RELATIONSHIP IN THIS IMPORTANT AREA. OUR LEVERAGE IS OBVIOUSLY MUCH GREATER WHEN THE SOVIET CROP IS POOR THAN WHEN IT IS MORE NORMAL. THEREFORE, IF WE MISS THE OPPORTUNITY THIS YEAR TO PUT OUR SOVIET GRAIN TRADE ON A MORE SATISFACTORY BASIS, IT MAY TAKE SEVERAL YEARS, AND ANOTHER DAMAGING PUBLIC CONTROVERSY, BEFORE THE OPPORTUNITY RECURS.

3. IT WOULD SEEM HIGHLY DESIRABLE (A) TO SECURE A MORE FORTHCOMING EXCHANGE OF INFORMATION SO THAT WE CAN PREPARE OUR OWN PRODUCTION AND MARKERS TO COVER SOVIET PURCHASES WITHOUT DISRUPTION; AND (B) TO PLACE SALES TO THE USSR ON A STEADY, LONG-TERM BASIS RATHER THAN THE DISRUPTIVE BOOM-OR-BUST CYCLE WHICH HAS CHARACTERIZED THEM UP TO NOW. WE ALSO HOPE EVENTUALLY TO DRAW THE SOVIETS INTO A MULTILATERAL GRAIN RESERVES ARRANGEMENT, BUT THIS IS A LONGER TERM GOAL THAN THE FIRST TWO MENTIONED.

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4. PROVIDED WE HAVE THE SUPPLIES TO ACCOMMODATE SUBSTANTIAL

ADDITIONAL SOVIET PURCHASES, I BELIEVE THAT WE SHOULD CONSIDER CONDITIONING SUCH SALES UPON THE FOLLOWING: (A) A RENEWED AND PRECISE SOVIET COMMITMENT TO SUPPLY INFORMATION PROMPTLY AND FULLY ON PRODUCTION AND ANTICIPATED PURCHASES. THEY ARE ALREADY COMMITTED TO DO SO UNDER THE 1973 AGRICULTURAL COOPERATION AGREEMENT, BUT DESPITE SOME IMPROVEMENT AS COMPARED WITH THE EARLIER SITUATION, THEY HAVE NOT FULFILLED THIS COMMITMENT, PARTICULARLY IN REGARD TO FORWARDED ESTIMATES, THE MOST CRITICAL ELEMENT IN THE PICTURE. (B) A LONG-TERM AGREEMENT TO PURCHASE A SPECIFIED MINIMUM QUANTITY OF US GRAINS, WITH PURCHASES SPREAD EVENLY THROUGH THE YEAR, AND REGARDLESS OF SOVIET CROP CONDITIONS. THIS SPECIFIED MINIMUM SHOULD OF COURSE BE BASED UPON USDA ESTIMATES OF WHAT WE ARE CERTAIN TO BE ABLE TO PROVIDE. IT WOULD, IN EFFECT, ELIMINATE THE LARGE SWINGS IN SOVIET PURCHASES WHICH ARE SO DISRUPTIVE TO THE MARKET, AND FURTHERMORE WOULD AMOUNT TO DE-FACTO SOVIET PARTICIPATION IN A BILATERAL GRAIN RESERVES ARRANGEMENT, SINCE IT WOULD REQUIRE THEM TO BUILD UP THEIR OWN STOCKS WITH IMPORTS IN GOOD YEARS. THIS IN TURN WOULD REDUCE THE MAGNITUDE OF NECESSARY INTERVENTION IN WORLD MARKETS WHEN THE SOVIET CROP IS POOR.

5. I FEEL THAT THESE CONDITIONS CAN REASONABLY BE DEMANDED OF THE SOVIETS WITHOUT ENDANGERING OUR OVERALL RELATIONSHIP OR IMPINGING ON ONGOING NEGOTIATIONS IN OTHER FIELDS. IN THE FIRST INSTANCE, WE WOULD ONLY BE INSISTING THAT THEY LIVE UP TO WHAT THEY HAVE ALREADY AGREED; IN THE SECOND, IT CAN BE PERSUASIVELY ARGUED THAT A LONG-TERM SUPPLY RELATIONSHIP IS AS MUCH IN THEIR INTEREST AS OURS, SINCE A CONTINUATION OF THE PRESENT CYCLICAL PURCHASES WILL NOT LONG BE TOLERATED BY THE UNITED STATES AND, IN THE NEXT BAD YEAR, THE SOVIET COULD FIND THEMSELVES OUT IN THE COLD. THESE CONDITIONS HAVE THE FURTHER NEGOTIATING ADVANTAGE, AS COMPARED WITH POSSIBLE OTHER LINKAGES, THAT THEY ARE CLEARLY DIRECTED TOWARD ALLEVIATING A BASIC PROBLEM IN THE AREA OF TRADE IN AGRICULTURAL PRODUCTS AND DO NOT INVOLVE EXTRANEIOUS CONSIDERATIONS.

STOESSEL

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